

## S. G. POWER LIMITED

### Annual Reports 2003

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#### Company Information

##### Board of Directors

Mr. S.M. Ahmed	Chairman
Mr. Asim Ahmed	Chief Executive
Mst. Zubaida Khatoon	Director
Mr. Sohail Ahmed	Director
Mrs. Saba Sohail	Director
Mr. M. Rafiq Dawood	Director
Mr. Rafiq Ahmed	Director

##### COMPANY SECRETARY

Mr. Muneer Ahmed

##### AUDIT COMMITTEE

Mr. Sohail Ahmed	Chairman
Mr. Rafiq Ahmed	Member
Mr. M. Rafiq Dawood	Secretary

##### BANKER

Habib Bank Limited

##### AUDITORS

M/s. M. Yousuf Adil Saleem & Co.

(Chartered Accountants)

##### REGISTERED OFFICE

B-40, S.I.T.E., Karachi.

Notice is hereby given that the 10th Annual General meeting of S.G. Power Ltd will be held on Saturday, 25th October, 2003 at 11:00 a.m at its Registered office, B-40, S.I.I.E., Karachi to transact the following business:

- 1- To confirm the Minutes of the Annual General meeting held on 26 October, 2002.
- 2- To receive consider and adopt the audited accounts of the Company for the year ended June 30, 2003 together with the Directors' and Auditors' Reports thereon.
- 3- To approve the payment of final dividend of 15% for the year ended June 30 ,2003 as recommended by the Board of Directors.

4- To appoint the Auditors of the Company for the year ended June 30, 2004 and to fix their remuneration M/ s. M. Yousuf Adil Saleem & Co., Chartered Accountants, the present Auditors retire and being eligible, offer themselves for reappointment.

5- To re-elect seven directors as fixed by the Board in accordance, with the provision of the Companies Ordinance 1984 for a term of three years. The name of the retiring directors are

- |                   |                        |                        |
|-------------------|------------------------|------------------------|
| 1. Mr.S.M.Ahmed   | 2. Mst.Zubaida Khatoon | 3.Mr.Sohail Ahmed      |
| 4. Mr.Asim Ahmed  | S.Mrs. Saba Sohail     | 6. Mr. M. Raftq Dawood |
| 7. Mr.Rafiq Ahmed |                        |                        |

6. To transact any other business with the permission of the Chair.

Karachi: September 23rd, 2003

By order of the Board

Muneer Ahmed  
Company Secretary

Notes

3- Members are requested to communicate to the Company of any change in their addresses.

IN THE NAME OF ALLAH THE MOST GRACIOUS  
THE MOST BENEVOLENT THE MOST MERCIFUL

It gives me great pleasure to welcome you all on behalf of the Board of Directors to the 10th Annual General Meeting of the company to present Annual Accounts for the year ended 30th June, 2003 and the Auditors Report thereon. Al hamdolillah during the year under review your company has posted a pre tax profit of Rs.22,792,391. Through out the year the performance of the plant has Been excellent. Your company has shown an increase of 10.80 % in sale of electricity. Periodical maintenance was carried out on time.

Unfortunately your company had to face some constraints during the year. Firstly the gas received in the factory was contaminated with oil. It continued for quite some time. As a result, generators had to be closed down so many times in a day. On our complaint, engineers from Sui Southern Gas Company Limited visited our site and observed that the gas being receive at our site is highly contaminated with oil. They suggested to install an Oil Separator/Filter to overcome this problem. First we fabricated a filter at our workshop at a cost of about Rs.200,000 and after that we had to import an Oil Separator / Filter for this purpose as suggested by Sui Southern Gas Company, which cost us about Rs. 1.2 million. We are trying to get this amount reimbursed by the gas company.

Another major problem, which your company has been facing during the year is frequent drop in Gas pressure. It has become an every day feature and the same is still going on. Every time when the pressure is dropped the generators are shut down We are continuously lodging complaints with Sui Southern Gas Company Limited, for every drop in pressure.

I am pleased to inform you that we have got the claim of Rs.8.9 million for the generator which was damaged in January 2002

Your company is confident that we can meet the challenges and the coming years hold good prospects for the growth of the company which will improve the profitability of the company with better returns for the shareholders.

FUTURE OUTLOOK

In light of the current years' results its is hoped that profitability will further improve. Improvement in all areas will receive full focus in the ensuing years.

#### ACKNOWLEDGMENT.

The Directors place on record their appreciations for the dedicated efforts made by the staff and Executives of the Company and hope the same spirit of devotion and dedication will continue in future.

S.M.Ahmed

Chairman

The Board of Directors of S. G. Power Limited is pleased to present the Audited accounts of the company for the year ended 30th June 2003. During the year under review your company has posted a pre tax profit of Rs.22,792,391. The year has been a comparatively promising.

The salient features of the Plant Capacity and its actual production are as under:

	2003	2002
Annual Capacity	91,419,360	84,954,240
Actual Production	61,692,946	56,941,400

Electricity capacity has increased due to major repair and maintenance. Reciprocating increase in production of electricity by 8.35%.

#### STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

- a) The financial statement for the year ended June 30, 2003 have been prepared by the management, present fairly its states of affairs, the results of its operation, cash flows and changes in equity.
- b) The company has maintained proper books of accounts
- c) The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statement
- d) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- e) There are no significant doubts upon the Company's ability to continue as a going concern.
- f) The system of internal control is sound and being continuously implemented and monitored
- g) There has been no material deviation from the best practices of code of corporate governance as detailed by the listing regulations
- h) Specified pattern of share holding is annexed to this report
- i) The directors ,CEO, CFO, Company Secretary and their spouse and minor children did not carry out any transaction in the share of the company during the year.
- j) Key operating financial data for the last six years in summarized form is annexed.
- k) The Statement of Compliance of code of corporate governance is annexed.
- 1) During the year five (5) meetings of Board of Directors were held. Attendance by each Director is as follows:

Name of Directors		No of Meeting Attended
Mr. S. M. Ahmed	Chairman	5
Mst. Zubaida Khatoon	Director	4

Mr. Asim Ahmed	Chief Executive	5
Mr. Sohail Ahmed	Executive Director	5
Mrs. Saba Sohail	Director	3
Mr. M.Rafiq Dawood	Director	5
Mr. Rafiq Ahmed	Director	3

Leave of absence was granted to Directors who could not attend some of the meetings.

#### AUDIT COMMITTEE

In accordance with the requirements of Code of Corporate Governance, an audit committee has been formed in the last year and following are its members:

Mr. Sohail Ahmed Chairman  
Mr. RafiqAhmed Member  
Mr. M. Rafiq Dawo Secretary

#### 26 Key Operating and Financial Data of last six years

	2003	2002	2001	2000	1999	1998
Earning and Distribution						
Sales	181,242,703	163,576,738	126,635,250	130,254,750	165,227,084	154,229,557
Profit (Loss) before Tax	23,935,618	3,964,037	-16,162,605	24,574,719	42,867,435	51,346,172
Taxes	1,244,856	2,714,149	2,147,086	3,833,551	3,961,747	-
Net Earning	22,690,762	1,249,888	-18,309,691	20,741,168	38,905,688	51,346,172
Reversal of WPPF	20,711,653	-	-	-	-	-
Dividend	-	-	-	26,749,901	-	44,583,167
Retained in Business	43,402,415	1,249,888	118,309,691	-6,008,733	38,905,688	6,763,005
Net earning per share (Rs.)	1.27	7	-1.03	1.16	2.18	2.88
Dividend declared per share (Rs.)	-	-	-	1.5	-	2.5
Break up value per share	19.23	16.66	16.59	17.62	17.95	15.77
Financial Position						
Share Capital	178,332,670	178,332,670	178,332,670	178,332,670	178,332,670	178,332,670
Capital & Revenue Reserve	164,663,172	118,771,045	117,521,157	135,830,848	141,839,581	102,933,893
Shareholders Equity	342,995,842	297,103,715	295,853,827	314,163,518	320,172,251	281,266,563
Longterm loans and deferred liabilities	6,081,531	11,175,075	858,535	616,948	546,134	451,317
Total Capital Employed	349,077,373	308,278,790	296,712,362	314,780,466	320,718,385	281,717,880
Represented by						
Fixed Assets	152,570,122	166,393,524	164,716,065	182,353,015	201,691,084	224,045,984
Long term deposits	5,340,470	30,675,670	91,092,000	47,200,000	4,678,689	6,357,362
Net Current Assets	191,166,781	111,209,596	40,904,297	85,227,451	114,348,612	51,314,534
	349,077,373	308,278,790	296,712,362	314,780,466	320,718,385	281,717,880

#### APPOINTMENT OF AUDITORS

The present auditors Messrs. M. Yousuf Adil Saleem & Company, Chartered Accountants retire and being eligible offer themselves for reappointment and as required by code of corporate governance the Audit Committee has recommended appointment of Messrs. M. Yousuf Adil Saleem & Company, Chartered Accountants, as auditor of the company for the year 2003-2004.

On behalf of the Board of Directors

Asim Ahmed  
Chief Executive Officer

Statement of compliance with code of corporate governance.

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practice of Corporate governance:

The company has applied the principles contained in the Code in the following manner:

1. The Board comprises 7 Directors including CEO. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes 4 non-executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the current year.
5. The Company has prepared a Statement of Ethics and Business Practice which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision statement,
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meeting of the board were presided over by the Chairman. The Board meet at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Chief Financial Officer and Company Secretary were appointed prior to the implementation of the Code of Corporate Governance. Remuneration, terms and conditions in case of future appointments on these positions will be approved by the Board. However, the appointment of head of internal audit and terms and conditions of his employment have been approved by the Board.
10. The directors report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the Code
14. The Board has formed an Audit Committee. It comprises 3 members, of whom 2 are non-executive directors including the Chairman of the company.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code
16. The Board has setup an effective internal audit and personnel involved are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and

they are involved in the internal audit function on a full time basis.

17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidance on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IF AC guidelines in this regard.

19. We confirm that all material principles contained in the code have been complied with

S. M. Ahmed

Asim Ahmed

Chairman

Chief Executive

To provide uninterrupted power supply to the consumer and to the entire satisfaction and needs of our customer. To follow high ethical standards in implementing policies for achievement of our goals.

#### SIGNIFICANT BUSINESS POLICIES

- Continuous improvement is perused through effective implementation of Quality management system.
- For better serving the interest of all stakeholders good corporate governance is followed.
- Risk are managed through the implementation of policies and procedures so the impact of these risks can be minimized on the business, properties and assets of the company.
- To adopt such policies that are customer oriented that will effectively meet customers' expectations.
- To establish a safe and healthy environment for employees that will provide them opportunities for growth and betterment.

We have audited the annexed balance sheet of S.G. POWER LIMITED as at June 30, 2003 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a. In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b. in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Company's business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2003 and of the profit, changes in equity and its cash flows for the year then ended; and

d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we wish to draw your attention to Note. 6.2 to the financial statements which explain the reason for reversal of provision of Workers Profit Participation Fund to shareholders equity.

Karachi: 24th September 2003

M. Yousuf Adil Saleem & Co.

Chartered Accountants

Review Report on  
Corporate Governance

#### REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of S.G. POWER LIMITED to comply with the relevant Listing Regulations of the Karachi and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our Responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2003

Karachi

M. Yousuf Adil Saleem & Co.

Date : 24th September 2003

Chartered Accountants

**Financial Statements**

for the year ended

June 30, 2003

BALANCE SHEET  
AS AT JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised			
20,000,000 (2002 - 20,000,000)			
Ordinary shares of Rs 10/= each		200,000,000	200,000,000
Issued subscribed and paid up			
17,833,267 (2002 - 17,833,267)			
Ordinary shares of Rs 10/- each		178,332,670	178,332,670
fully paid in cash			
Capital Reserve			
Share premium		89,116,330	89,116,330
Unappropriated profit		46,050,859	29,654,715
		313,499,859	297,103,715
<b>LIABILITY AGAINST ASSET</b>			
SUBJECT TO FINANCE LEASE	3	5,326,339	10,299,606
DEFERRED LIABILITY			
Staff gratuity	4	869,113	875,469
<b>CURRENT LIABILITIES</b>			
Current portion of lease liability		4,973,267	4,111,336
Creditors, accrued and			
other liabilities	5	41,146,060	50,733,670
Taxation		2,842,388	3,903,099
Unclaimed dividend		990,764	999,514
Proposed dividend		26,749,901	-
		76,702,380	59,747,619
<b>CONTINGENCIES AND</b>			
<b>COMMITMENTS</b>	6		
		396,397,691	368,026,409

The annexed notes form an integral  
part of these financial statements.

	Note	2003 Rupees	2002 Rupees
<b>OPERATING FIXED ASSETS</b>			
LONG TERM ADVANCE	7	151,540,821	166,393,524
LONG TERM DEPOSITS	8	-	24,200,000
CURRENT ASSETS	9	5,340,470	6,475,670
Stores and spares		9,153,993	6,948,572
Debtor	10	198,658,855	133,573,181
Advances and prepayments	11	2,307,970	1,755,692
Other receivables	12	28,814,660	28,231,592
Cash at banks			
In current accounts		580,922	448,178
		239,516,400	170,957,215
		396,397,691	368,026,409



	Note	2003 Rupees	2002 Rupees
Revenue	13	181,242,704	163,576,738
Generation cost	14	-150,161,168	-153,309,671
Gross profit		31,081,536	10,267,067
Administration expenses	15	-6,851,076	-6,895,088
		24,230,460	3,371,979
Other income	16	1,022,832	6,497,140
		25,253,292	9,869,119
Financial charges	17	2,460,901	3,508,165
Provision for doubtful recoveries		-	2,056,613
Workers profit participation fund	6.2	-	340,304
		-2,460,901	-5,905,082
Profit before taxation		22,792,391	3,964,037
Taxation			
Current		358,000	2,274,000
Prior years		-	440,149
		-358,000	-2,714,149
Profit after taxation		22,434,391	1,249,888
Unappropriated profit brought forward (Refer statement of changes in equity)		50,366,369	28,404,827
Profit available for appropriation		72,800,760	29,654,715
Appropriation			
Proposed cash dividend @ Rs.1.50 (2002 : Nil) per shar	3	-26,749,901	-
		46,050,859	29,654,715
Earnings per share	18	1.26	0.07

The annexed notes form an integral part of these financial statements.

#### CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30,2003

	Note	2003 Rupees	2002 Rupees
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		22,792,391	3,964,037
Adjustment to reconcile profit to net cash provided by operating activities:			
Depreciation		16,911,561	17,087,203
Gain on disposal of fixed assets		-	-213,040
Provision for doubtful recoveries		-	2,056,613
Provision for gratuity		203,920	52,522
		17,115,481	18,983,298
Cash from operating activities before working capital changes		39,907,872	22,947,335
Changes in working capital (Increase) / Decrease in current assets:			
Stores and spares		-2,205,421	-1,490,789
Debtor		-65,085,674	-78,558,360
Advances and prepayments		-610,151	-118,394
Other receivables		-583,068	-5,831,564
		-68,484,314	-85,999,107
Increase / (Decrease) in current liabilities Creditors, accrued and other liabilities		11,153,947	16,340,812
		-17,422,495	-46,710,960
Tax paid		-1,390,740	-3,696,581
Gratuity paid		-210,276	-35,588

Net cash used in operating activities	-19,023,511	-50,443,129
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Long term deposits	1,135,200	-1,583,670
Fixed capital expenditure	-2,058,859	-19,464,622
Sale proceeds of fixed asset	-	910,000
Advance to associated Undertaking	24,200,000	62,000,000
Net cash from investing activities	23,276,341	41,861,708
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease finance obtained	-	15,836,700
Payment of lease liability	-4,111,336	-1,425,758
Dividend paid	-8,750	-5,386,631
Net cash (Used in) / from financing activities	-4,120,086	9,024,311
Net increase in cash and cash equivalents (A+B+C)	132,744	442,890
Cash and bank balances at the beginning of the year	448,178	5,288
Cash and bank balances at the end of the year	580,922	448,178

The annexed notes form an integral part of these financial statements.

	Issued, Subscribed Paidup Capital	Capital Reserve Share Premium	Unappropriated <b>Profit</b>	Total
	----- Rupees -----			
Balance at July 01 ,2001	178,332,670	89,116,330	28,404,827	295,853,827
Profit after taxation for the year ended June 30, 2002	-	-	1,249,888	1,249,888
Balance as at June 30, 2002	178,332,670	89,116,330	29,654,715	297,103,715
Reversal of Workers profit participation fund (Refer Note.6.2)	-	-	20,711,654	20,711,654
Adjusted balance as at June 30,2002	178,332,670	89,116,330	50,366,369	317,815,369
Profit after taxation for the year ended June 30, 2003	-	-	22,434,391	22,434,391
Proposed cash dividend @ Rs.1.5 per share	-	-	-26,749,901	-26,749,901
Balance as at June 30, 2003	178,332,670	89,116,330	46,050,859	313,499,859

The annexed notes form an integral part of these financial statements.

## 1. STATUS AND ACTIVITIES

The Company is limited by shares incorporated in Pakistan on February 10, 1994 under the Companies Ordinance, 1984 and listed on Karachi and Islamabad Stock Exchanges. The business of the Company is generation and supply of electric power. The project is a captive power plant which is located at S.I.T.E. Karachi in the province of Sindh.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting convention

These financial statements have been prepared under historical cost convention.

### 2.2 Basis of Preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

### 2.3 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all its employees. Provision is made annually based on management estimates which are adjusted periodically to agree with actuarial estimates. The actuarial valuations is normally carried out once in every three years. Actuarial gain and losses are recognized on a straight line basis over a period of 3 years. As per latest actuarial valuation carried out as at June 30, 2002, the value of scheme's liabilities was Rs.875,469/-. The project Unit Credit Method of valuation was used to generate actuarial values. The discount rate was taken as 11% and salary increased were assumed to average 10%.

### 2.4 Taxation

Profits and gains derived by the Company from electric power generation project are exempt from tax under clause 132 of Part-1 of the Second Schedule to the Income Tax Ordinance, 2001.

The company is also exempt from minimum tax on turnover under section 113 as per clause 15 of the Part-IV of Second Schedule to the Income Tax Ordinance, 2001.

### 2.5 Operating Fixed Assets

Operating assets are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to income on reducing balance method at the rates specified in operating assets note.

#### Notes to the Accounts

For the year ended June 30,2003

Depreciation on additions during the year is charged on the basis of whole year, while no depreciation is charged on deletion during the year. However major capitalisation of project cost are depreciated on proportionate basis for the period of use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of assets are included in current income.

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of assets is the greater of net selling price and value in use. Impairment losses are recognized in the profit and loss account for the period in which it arises.

### 2.6 Accounting for lease

The Company accounts for assets acquired under finance leases by recording the assets and the related liability. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The outstanding obligation under the lease less finance charges allocated to future periods is shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability. Depreciation is charged at the same rate as company owned assets.

### 2.7 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences are taken immediately to profit and loss account.

## 2.8 Stores and spares

These are valued at moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date.

## 2.9 Debtors

Known bad debts are written off and provision is made against debts considered doubtful.

## 2.10 Trade and other receivable

Trade receivables are recognized and arrived at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

## 2.11 Trade and other payable

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

## 2.12 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made to the amount of obligation.

## 2.13 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and derecognition of the financial assets and liabilities are included in the net profit or loss for the period in which it arises.

## 2.14 Revenue Recognition

Revenue from supply of electricity is recognized on issue of bills on monthly basis.  
Profit on bank deposits is recognized on accrual basis.

## 3. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2003 Rupees	Minimum Present Value	2002 Rupees	lease payments	Present Value
Within one year	5,935,616	4,973,267	6,091,992	4,111,336	
After one year but not more than five years	5,531,273	5,326,339	11,736,990	10,299,606	
Total minimum lease payments	11,466,889	10,299,606	17,828,982	14,410,942	
Less: Amount representing finance charges	-1,167,283	-	-3,418,040	-	
Present value of minimum lease payments	10,299,606	10,299,606	14,410,942	14,410,942	
Less: Current portion	-4,973,267	-4,973,267	-4,111,336	-4,111,336	
	5,326,339	5,326,339	10,299,606	10,299,606	

The obligation represent acquisition of generator under finance lease facility. The average implicit rate is 14.4% per annum. The lease rentals are payable in 36 monthly installments upto February 01, 2005. At the end of the lease, asset shall be transferred to the Company on payment

of all installments and on surrender of deposit.

Notes to the Accounts  
For the year ended June 30,2003

	2003 Rupees	2002 Rupees
<b>4. STAFF GRATUITY</b>		
Present value of defined benefit obligation	875,469	888,181
Past service cost to be recognized in later periods	-	-
Actuarial (Losses) / Gains to be recognized in later periods	-6,356	-12,712
	869,113	875,469
Liability at the beginning of the year	875,469	858,535
Charge for the year	203,920	52,522
Benefits paid during the year	-210,276	-35,588
Liability at the end of the year	869,113	875,469
<b>5. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors (5.1)	17,136,026	14,203,144
Accrued expenses (5.2)	23,212,111	15,608,927
Workers' profit participation fund (5.3)	-	20,711,654
Sales tax	784,590	166,709
Withholding tax	13,333	43,236
	41,146,060	50,733,670
5.1 It includes Rs 5,076,422/- (2002 - 2,803,311) payable to associated undertaking		
5.2 It includes Rs.22,215,255/- (2002 - Rs 14,111,671) payable to associated undertaking.		
5.3 Workers profit participation fund		
Opening balance	20,711,654	17,869,605
Interest on fund utilized in Company's business	-	2,501,745
	20,711,654	20,371,350
Allocation for the year	-	340,304
	20,711,654	20,711,654
Transferred back to Shareholders' Equity (Refer Note. 6. 2)	-20,711,654	-
	-	20,711,654
<b>6. CONTINGENCIES AND COMMITMENTS</b>		
Contingencies		
6. 1 Letters of guarantee issued by a Bank to Sui Southern Gas Company Limited on behalf of the company	22,568,000	22,568,000

6.2 Provision made to workers profit participation fund and interest thereon of Rs.20,711,654/- upto June 30, 2002 has been transferred back to shareholders equity since there are no workers as defined in the Worker's Participation Act, 1968 and accordingly the said Act does not apply to the Company. No provision for the period for the year 2002-2003 has been made in this head. The Company has filed petition before High Court of Sindh, Karachi in this respect. The Company is confident that no liability will arise on this account.

6.3 The Honourable Lahore High Court has given favorable ruling for the case filed against levy of import duty and sales tax in breach of declared exemption as per energy policy of the Federal Government. A claim of Rs. 13,816,385/- is pending with the Collector of Customs in this respect.

Commitment

6.4 Letter of credit - stores and spares 346,000

**7. OPERATING FIXED ASSETS**

Particulars	Cost at July 01, 2002	Additions / {Deletion}	Cost at June 30, 2003	Accumulated depreciation at July 01	Depreciation for the year	Accumulated depreciation at June 30,	Written down value at June 30,	Rate %
-------------	-----------------------------	---------------------------	-----------------------------	---	---------------------------------	--	--------------------------------------	-----------

				2002		2003	2003	
Own								
Generators	298,463,459	-	298,463,459	151,717,025	14,674,643	166,391,668	132,071,791	10
Air handling Unit	475,420	-	475,420	248,028	22,739	270,767	204,653	10
Electric fitting	531,990	-	531,990	96,630	43,536	140,166	391,824	10
Gas installation	1,101,542	-	1,101,542	574,678	52,686	627,364	474,178	10
Factory equipment	472,798	2,058,859	2,531,657	147,599	238,406	386,005	2,145,652	10
Vehicles	1,738,700	-	1,738,700	1,075,472	132,646	1,208,118	530,582	20
	302,783,909	2,058,859	304,842,768	153,859,432	15,164,656	169,024,088	135,818,680	
Under Lease								
Generator (7.2)	17,916,970	-	17,916,970	447,924	1,746,905	2,194,829	15,722,141	10
Rupees 2002 Rupees	320,700,879	2,058,859	322,759,738	154,307,356	16,911,561	171,218,917	151,540,821	
	302,325,257	19,464,622	320,700,879	137,612,192	17,087,203	154,307,355	166,393,524	
		-1,089,000			-392,040			

7.1 The land on which the project is setup, has been obtained on rent from S. G. Fibre Limited.

	2003 Rupees	2002 Rupees
7.2 Cost borne by the lessor	15,836,700	15,836,700
Cost borne by the lessee	2,080,270	2,080,270
	17,916,970	17,916,970
7.3 Depreciation for the year has been allocated as under:		
Generation cost	16,778,915	16,921,396
Administration expenses	132,646	165,807
	16,911,561	17,087,203
8. LONG TERM ADVANCE		
To associated undertaking	-	24,200,000

It was unsecured and subject to markup @ 14% per annum.

Maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs.24,200,000/- (2002 Rs.79,200,000/-).

#### 9. LONG TERM DEPOSITS

Long term margin deposits (9.1)	3,756,800	4,892,000
Lease deposit	1,583,670	1,583,670
	5,340,470	6,475,670

9.1 Lien marked on these margin deposits by a bank against guarantees issued by them on behalf of the Company. (Refer note 6. 1 ).

#### 10. DEBTOR

Unsecured-considered good

Associated undertaking	198,658,855	133,573,181
Maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs. 1 98,658,855/-(2002 - Rs.133,573,181/-).		

#### 11. ADVANCES AND PREPAYMENTS

	Note	2003 Rupees	2002 Rupees
Considered good			
Advances:			
Staff		-	3800
Suppliers		989,104	355,071
Provision for doubtful recoveries		-	-40,662
		989,104	314,409
Income tax		1,209,838	1,267,711
Prepayments		107,728	130,360
Others		1,300	39,412

	2003	2002
	Rupees	Rupees
<b>12. OTHER RECEIVABLES</b>		
Considered good		
Interest on loan to associated Undertaking	28,694,388	27,957,643
Interest on deposits	120,272	273,949
Others	-	2,015,951
Provision for doubtful recoveries	-	-2,015,951
	28,814,660	28,231,592
<b>13. REVENUE</b>		
Sale of electricity and steam	181,242,704	163,576,738

13.1 With effect from October 1st, 2001 as per the Board's approval, the rate of electricity including steam has been revised upward. The charges for the supply of steam is also included in the revised rate. Accordingly no separate income is recorded for the sale of steam

13.2 The Company has done away with the policy of charging late payment surcharge on delayed receipt of payment from the associated undertaking for sale of electricity and steam

<b>14. GENERATION COST</b>		
Gas	112,250,540	106,204,192
Oil and lubricants	3,485,010	3,568,386
Diesel	-	12,587,940
Rental of generator (14.1)	-	2,044,338
Salaries, wages and benefits (14.2)	3,681,927	3,438,562
Stores and spares	4,061,731	1,837,276
Repairs and Maintenance - net of insurance claim	2,772,581	816,934
Rent	2,100,000	2,100,000
Water	2,260,880	2,111,671
Depreciation	16,778,915	16,921,396
Insurance	2,769,584	1,678,976
	150,161,168	153,309,671

14.1 These expenses were incurred for a generator hired from leasing company due to damage of Company's generator

14.2 Salaries, wages and benefits include the retirement benefits of Rs.203,920/- (2002 - Rs.52,522/-).

<b>15. ADMINISTRATION EXPENSES</b>		
Contribution towards expenses incurred by associated undertaking	6,000,000	6,000,000
Postage	41,433	6,790
Printing and stationery	46,580	108,234
Rent, rates and taxes	159,333	6,374
Fees and subscription	104,300	84,400
Legal and professional	95,000	176,120
Auditor's remuneration (15.1)	115,000	75,000
Vehicles running	133,490	134,682
Advertisement	13,400	-
Entertainment	9,894	8,225
Depreciation	132,646	165,807
Balances written off	-	87,777
Others	-	41,679
	6,851,076	6,895,088

Note	2003	2002
	Rupees	Rupees

15.1 Auditor's remuneration

Audit fee	75,000	75,000
Half yearly review fee	30,000	-
Other service	10,000	-
	115,000	75,000

16. OTHER INCOME

Interest on advance to associated undertaking	736,745	5,949,041
Return on deposits - net of zakat	286,087	335,059
Gain on sale of fixed asset	-	213,040
	1,022,832	6,497,140

17. FINANCIAL CHARGES

Lease finance charges	1,980,655	604,906
Interest on Workers Profit Participation Fund	-	2,501,745
Bank charges	480,246	401,514
	2,460,901	3,508,165

18. EARNINGS PER SHARE

There is no diluative effect on the basic earnings per share of the Company which is based on:

Profit after taxation	22,434,391	1,249,888
Average number of ordinary shares outstanding during the year	17,833,267	17,833,267
Earnings per share	1.26	0.07

19. TAXATION

Assessment has been finalized upto the assessment year 1999-2000 (accounting year 1998-99), assessment for assessment years 2000-2001, 2001-2002 and 2002-2003 are pending at appeal stages.

20. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sale of electricity and steam	181,242,704	163,576,738
Advance	-24,200,000	-62,000,000
Interest on advance	736,745	5,949,041
Rent of premises	2,100,000	2,100,000
Contribution towards expenses incurred by associated undertaking	6,000,000	6,000,000
Purchase of water	2,260,880	2,111,671
Purchase of stores and spares	2,273,111	2,803,311

21. REMUNERATION TO DIRECTORS AND EXECUTIVES

Chief Executive and Directors are providing services without any remuneration and have also waived their meeting fee.

Executives:

	Note	2003 Rupees	2002 Rupees
Basic salary		753,762	557,969
House rent allowance		335,239	250,631
Utility allowance		125,183	93,558
		1,214,184	902,158
No. of persons		4	3

22. PLANT CAPACITY AND ACTUAL PRODUCTION

	ELECTRICITY KWH		STEAM KGS	
	2003	2002	2003	2002
Annual Capacity	91,419,360	84,954.24	50,280,646	57,456,000
Actual Generation	62,869,822	56,941,400	38,507,700	34,595,090



#### Reason for low generation

The capacity is in excess of present demand

### 23. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arms length transaction. As at June 30, 2003 the net fair value of all financial instruments has been based on the valuation methodology outlined below:

#### Long term deposits

Long term deposits do not carry any rate of return. The fair value of these has been taken at book value as it is not considered materially different and these are not readily exchangeable.

#### Non-current liabilities

For all non-current liabilities the fair values have been taken at book values as these are not considered materially different based on the current market rates of return and repricing profiles of similar non-current liabilities.

#### Other financial instruments

The fair values of all other financial instruments are considered to approximate their book values as they are short term in nature.

The analysis of yield / markup rate risk is as under:

	Effective interest rate	Interest bearing Maturity upto one year	Maturity after one year	Sub Total	Non-interest Bearing	2003 Total Rupees	2002 Total Rupees
<b>FINANCIAL ASSETS</b>							
Long term advance	-	-	-	-	-	-	24,200,000
Long term deposits	6% to 7.75%	3,756,800	-	3,756,800	1,583,670	5,340,470	6,475.67
Trade debtors	-	-	-	-	196,658,855	198,658,855	133,573,181
Advances	-	-	-	-	990,404	990,404	357,621
Other receivable	6% to 4%	28,814,660	-	26,814,660	-	28,814,660	28,231,592
Cash at banks	-	-	-	-	580,922	580,922	448,178
		32,571,460	-	32,571,460	201,813,851	234,385,311	193,286,242
<b>FINANCIAL LIABILITIES</b>							
Liability against asset subject to finance lease	14.40%	4,973,267	5,326,339	10,299,606	-	10,299,606	14,410,942
Creditors, accrued and other liabilities	-	-	-	-	40,348,137	40,348,137	50,523.73
Unclaimed dividend	-	-	-	-	990,764	990,764	999,614
		4,973,267	5,326,339	10,299,606	41,338,901	51,638,507	65,934,181

#### Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company credit exposure is Rs.233,804,389/- (2002: Rs.192,838,064/-) out of the total financial assets of Rs.234,385,311/- (2002: Rs. 193,286,242/-). The management monitors and limits company exposure of credit risk through monitoring of clients credit exposure review and conservative estimates of provision for doubtful receivable. The management is of the view that it is not exposed to significant concentration of credit risk.

#### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk. The rate of financing and their maturity period has been disclosed in the relevant notes.

## Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company's management closely monitors the company's liquidity and cash flow position.

## 24. DATE OF AUTHORIZATION FOR ISSUE •

These financial statements were authorized for issue on 23rd September, 2003 by the Board of Directors of the Company

## 25. NUMBER OF EMPLOYEES

Number of permanent employees as at year end are 29 (2002 - 33).

## 26. GENERAL •

26.1 Figures have been rounded off nearest to Rupee.

26.2 Corresponding figures have been re-arranged and regrouped wherever necessary for the purpose of comparison.

(Asim Ahmed )

(Sohail Ahmed )

Chief Executive

Director

## COMBINED PATTERN OF SHAREHOLDING AS AT 30-06-2003

### 1 GATEGOR YNO CATEGORIES OF NUMBER OF SH CATEGORY WIS CATEFORTYWIS PERCENTAGE %

1	INDIVIDUALS		2619	2,396,000	13.44
2	INVESTEMET COMPANIES				
3	JOINT STOCK COMPANIES				
4	DIRECTOR, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		7	10,397,134	58.30
	MR. S.M. AHMED	3,164,146			
	MST. ZUBAIDA KHATOON	2,384,069			
	MR. SOHAIL AHMED	2,494,069			
	MR. ASM AHMED	2,373,350			
	MRS. SAB A SOHAIL	500			
	MR. M. RAFIQ DA WOOD	500			
	-MR. RAFIQ AHMED	500			
5	-----				
	NIT / INVESTEMT CORPORATION OF PAKISTAN	656,480	1	656.48	3.68
6	AIMS INVESTMENT ADVISORY CO. (PVT) LTD.	3,500	1	3.5	0.02
	INVESTEMENT CORPORATION OF PAKISTAN	1 70,000	1	170	0.95
7	ASSOCIATED COMPANIES, UNDERTAKINGS AN RELATED PARTIES				
8	PUBLIC SCETOR COMPANIES AND CORPORATIONS				
	BANKS, DPI, NBF1, INSURANCE COMPANIES, MODARABA & MUTUAL FUNDS		4	641.5	3.60
9	FRANKLIN INVESTMENT BANK	500			
	PAK LIBYA HOLDING CO. (PVT) LTD.	300.000			
	CRESENT INVESTMENT BANK	299,500			
	GUARDIAN LEASING MODARABA	41,500			
10	FOREIGN INVESTORS		3	3,568.65	20.01

	CORA LIMITED	1,189,551		
	GRANADA LIMITED	1,189,551		
	PASFOM INTERNATIONAL CORPORATION	1,189,551		
11	CO-OPERATIVE SOCIETIES			
12	CHARITABLE TRUSTS			
13	OTHERS			
	Total		2636	17,833,267 0
Shareholders	holding ten percent or more voting interest in the listed company			
Total paid up capital of the company				
1 0% of the paid up capital of the company				

***Name (s) of share-hoder (s)***

DESCRIPTION	NO OF SHARES HELD	PERCENTAGE %
Total	17,833,267	100.00